

Message Text

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ACTION EUR-12

INFO OCT-01 EA-06 ISO-00 AID-05 CIAE-00 EB-07 FRB-03

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DEPARTMENT PASS TREASURY AND FRB

E.O. 11652: N/A

TAGS: ELAB, UK, PINT

SUBJECT: THE TRADE UNIONS AND THE GOVERNMENT'S ANTI-
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INFLATION POLICY

SUMMARY: THE CENTRAL ISSUE AT THE TUC CONGRESS WHICH TAKES PLACE IN BLACKPOOL, SEPTEMBER 1-5, WILL BE THE DEBATE OVER THE GOVERNMENT'S ANTI-INFLATION MEASURES. WHILE OPPONENTS OF THESE POLICIES ARE GIRDING FOR A BATTLE AT BLACKPOOL, THE TUC "ESTABLISHMENT" WHICH SUPPORTS THEM ARE EXPECTED TO WIN THE DAY BY A COMFORTABLE MARGIN. THE MORE IMPORTANT ISSUE, OF COURSE, IS WHETHER THE UNIONS CAN HOLD THE WAGE LINE DURING THE NEGOTIATION SEASON WHICH BEGINS IN EARNEST THIS FALL, AND--MORE FAR-REACHING--WHETHER THEY WILL ACCEPT SOME FORM OF RESTRAINT IN 1977 AND BEYOND. END SUMMARY.

1. THE NEW POLICY--IN BROAD TERMS--IS THE EXTENSION OF THE OLD SOCIAL CONTRACT IN THAT IT IS THE RESULT OF EXTENSIVE DISCUSSION BETWEEN THE TUC AND THE GOVERNMENT. IN FACT, MANY OBSERVERS BELIEVE THAT ITS OUTLINES CONFORM IN THE MAIN TO TUC PROPOSALS, INCLUDING THE 6 POUND FLAT RATE WAGE. (THIS NOTION ORIGINATED WITH JACK JONES, WHO COULD BE CALLED THE "FATHER" OF THE SOCIAL CONTRACT - MARK I AND MARK II.) THE CBI, WHILE IT HAS INDICATED THAT IT WILL ABIDE BY THE NEW WAGE POLICY, FINDS SEVERAL OF ITS FEATURES VERY OBJECTIONABLE, INCLUDING THE FACT THAT THE ONUS FOR OBSERVING IT LIES WITH THE EMPLOYERS.

2. THE NEW SOCIAL CONTRACT, LIKE THE OLD, IS STILL SUBJECT TO DIFFERING INTERPRETATIONS, ALTHOUGH ITS CENTRAL CORE--THE 6 POUND FLAT RATE--IS MUCH CLEARER THAN THE RELATIVELY VAGUE GEARING OF WAGES TO RISES IN THE COST OF LIVING WHICH FEATURED IN THE PREVIOUS VERSION. HOWEVER, TUC LEADERS VIEW THE 6 POUNDS AS A MINIMUM AND MAXIMUM WHEREAS THE GOVERNMENT, INCLUDING THE PRIME MINISTER' THINK OF IT AS A MAXIMUM ONLY; AND THIS MIGHT CAUSE DIFFICULTIES IN THE FUTURE. THE TUC, MOREOVER, VIEWS THE POLICY AS A SHORT-TERM, TEMPORARY SOLUTION TO THE ECONOMIC CRISIS, THAT IS, FOR ONLY THE PRECISE TWELVE-MONTH PERIOD INDICATED IN THE GOVERNMENT'S WHITE PAPER. TO SEE IT OTHERWISE, IN THE TUC'S VIEW, IS TO MAKE A PERMANENT SHAMBLES OF DIFFERENTIALS WHICH HAVE BEEN CAREFULLY WORKED OUT IN VARIOUS OCCUPATIONS AND INDUSTRIES.

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THE GOVERNMENT VIEW--AS EXPRESSED BY CHANCELLOR HEALEY--IS THAT WAGE RESTRAINT MUST BE CONTINUED FOR SOME YEARS TO COME IF THE BRITISH ECONOMY IS TO BECOME TRULY STABLE. THERE ARE OTHER ASPECTS OF THE PAY POLICY WHICH REMAIN SUBJECT TO DIFFERING INTERPRETATIONS AND THESE WILL HAVE TO BE RESOLVED IN PRACTICE.

3. THE TUC GENERAL COUNCIL HAS ACCEPTED THE BASIC ANTI-

INFLATION POLICIES OF THE GOVERNMENT AS LAID DOWN IN ITS WHITE PAPER. AS IT PREPARES FOR ITS ANNUAL CONGRESS IN BLACKPOOL WHERE THIS ISSUE WILL BE DEBATED THIS SEPTEMBER, THE LINES ARE BEING DRAWN BY UNIONS WHICH FAVOR IT AND THOSE WHICH DO NOT--ALTHOUGH THE PAY POLICY SUPPORTERS ARE LIKELY TO HAVE A COMFORTABLE MAJORITY (ESTIMATES RANGE FROM 2 TO 1 TO 3 TO 1 IN FAVOR). UNIONS ARE CURRENTLY MAPPING OUT BATTLE PLANS IN THE FORM OF RESOLUTIONS BEING PREPARED FOR THE CONGRESS. UNIONS WHICH ARE EXPECTED TO LEAD THE FIGHT IN FAVOR INCLUDE JACK JONES' TRANSPORT AND GENERAL WORKERS UNION, LORD ALLEN'S SHOPWORKERS (WHICH INITIALLY HAD RESERVATIONS ABOUT THE POLICY), DAVID BASNETT'S GENERAL AND MUNICIPAL WORKERS UNION AND FRANK CHAPPLE'S ELECTRICIANS. LEADING THE OPPOSITION WILL BE CLIVE JENKINS' SCIENTIFIC,

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TECHNICAL AND MANAGERIAL STAFF UNION, HUGH SCANLON'S ENGINEERS, AND A NUMBER OF UNIONS REPRESENTING HIGHLY SKILLED OR WHITE COLLAR AND PUBLIC SERVICE WORKERS. SOME UNIONS WHICH ARE CRITICALLY IMPORTANT IF THE PAY POLICY IS TO WORK--SUCH AS THE MINEWORKERS UNION, WHOSE MEMBERS

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ARE BEING BALLOTTED ON THE ISSUE--HAVE YET TO DECIDE THEIR POSITION (THERE IS A GOOD CHANCE, HOWEVER, THAT THE MINERS WILL ACCEPT IT).

4. APART FROM THE MORE GENERAL WILLINGNESS TO HELP THE COUNTRY OUT OF ITS CRISIS, THOSE UNIONS WHICH ARE MOST STRONGLY IN FAVOR OF THE NEW PAY POLICY ARE THOSE LEAST LIKELY TO SUFFER FROM ITS IMPLEMENTATION SINCE THEIR MEMBERSHIP INCLUDES A LARGE NUMBER OF LOWER PAID AND UNSKILLED WORKERS. OPPOSITION TO THE PAY POLICY HAS DEVELOPED FOR A VARIETY OF REASONS. A NUMBER OF UNIONS REPRESENTING SKILLED WORKERS, SUCH AS ENGINEERS AND OTHER CRAFTSMEN, WHO HAVE BENEFITED FROM DIFFERENTIALS SEPARATING THEIR PAY LEVEL FROM THE UNSKILLED, ARE OPPOSED TO A FLAT RATE SYSTEM. SOME PUBLIC AND GOVERNMENT WORKERS WHO HAVE BEEN TRYING TO "CATCH UP" WITH THE PRIVATE SECTOR ARE AFRAID THE NEW POLICY WILL FREEZE THEIR POSITION. MOREOVER, SEVERAL PUBLIC AND GOVERNMENT WORKERS' UNIONS BELIEVE THAT THE GOVERNMENT WILL CUT PUBLIC EXPENDITURES WHICH WILL HIT THEIR MEMBERSHIP HARDEST IN TERMS OF EMPLOYMENT.

5. COMMENT: A NUMBER OF SEASONED OBSERVERS OF THE LABOR SCENE HERE ARE HOPEFUL THAT, AT LEAST IN THE SHORT RUN, THE GOVERNMENT'S ANTI-INFLATION POLICY WILL BE ACCEPTABLE TO THE UNIONS AND EFFECTIVELY IMPLEMENTED. THESE OBSERVERS BELIEVE THAT THE MOOD IN THE COUNTRY--AND AMONG MANY WORKERS--IS MORE SOBER THAN IT HAS BEEN FOR SOME YEARS AND THAT THE SPECTRE OF MOUNTING UNEMPLOYMENT HAS HAD A CHASTENING EFFECT. ON THE OTHER HAND IF THE GOVERNMENT'S EXPECTATION OF

REDUCTION IN PRICE INCREASES DOES NOT MATERIALIZE, FOR ONE
THING, THIS COULD RAISE A SERIOUS QUESTION BY THE UNIONS
AS TO WHETHER THE NEW POLICIES HAVE ANY REAL MEANING.
IF, AS THE GOVERNMENT HOPES, PRICES BEGIN TO DROP AND
UNEMPLOYMENT IS KEPT IN CHECK, THE POLICY HAS A FIGHTING
CHANCE, IN THE SHORT RUN. THE LONG RUN OPERATION OF A
WAGE RESTRAINT POLICY IS A DIFFERENT MATTER, HOWEVER, AND
IT IS DIFFICULT TO CONCEIVE AT THIS JUNCTURE THE TRADE
UNION MOVEMENT'S REMAINING ACQUIESCENT TO A SEMI-
PERMANENT INCOMES POLICY. END COMMENT.
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